

**HOUSE INSURANCE COMMITTEE
RESPONSE TO FORMAL REQUEST FOR INFORMATION**

COMMITTEE REQUESTS FOR INFORMATION ON COVID--#5 AUTO INSURANCE

WRITTEN SUBMISSIONS FROM:

THE ASSOCIATION OF FIRE AND CASUALTY COMPANIES OF TEXAS (AFACT)

BACKGROUND ON AFACT. AFACT is a trade association that provides advocacy and input on legislative and regulatory insurance issues important to the State of Texas. AFACT has been in business over 70 years and only operates in Texas. AFACT members provide personal and commercial automobile insurance and have promptly responded to the impact of the COVID pandemic through rate discounts and reductions.

AFACT members, as competitors in the Texas insurance market, do not discuss among themselves individual rates or practices of individual companies or groups that might violate the anti-trust laws. AFACT members file rates with the Texas Department of Insurance and also report data on premiums, claims and other data in order to allow the TDI to maintain and develop aggregate data from all insurers. Information in this submission does not include specific information from any individual company and only reflects general responses in order to information to the Texas Legislature.

The Insurance Information Institute regularly collects and reports aggregate economic data impacting property/casualty insurance including the impact of catastrophes and COVID. They have recently released a report showing financial data. While overall claims in auto insurance are expected to be lower because of reduced driving, premiums are also expected to be lower. A link to this report can be found at: <https://www.iii.org/sites/default/files/docs/pdf/cas08182020.pdf>.

SPECIFIC COMMENTS ON AUTO INSURANCE:

It is important to recognize that automobile insurance has many different coverages. The liability coverages include bodily injury, personal property liability, UM/UIM, PIP, and Medical Payments. These coverages can be impacted by less driving. Physical Damage coverages include Collision and Comprehensive. Comprehensive includes loss due to flood, wind and hail, and theft.

The Texas Department of Insurance collects detailed statistics from insurers on personal auto and aggregate information from all insurers can be readily obtained from TDI. In an informal survey of AFACT members, it was generally reported that there was a decrease in the number of overall claims with the sharpest drop occurring in April 2020. All AFACT members have reported that they have made adjustments for policyholders through rebates filed with the Texas Department of Insurance. The TDI website contains a listing of some, but not all, insurers that have made adjustments through refunds, discounts, or rate decreases.¹

¹ <https://www.tdi.texas.gov/news/2020/covid-19-auto-insurance-actions.html>

While there has been a drop in the number of claims (frequency), some AFACT members have reported an increase in the severity of claims, such as fatal accidents or more severe damages to a vehicle. Claims data from Hurricane Laura is not available and could impact the number of overall claims particularly for comprehensive coverage. Also, it has been reported by some insurers that comprehensive claims due to criminal activity and civil unrest have been reported in some areas. Again, TDI may have better data by territory for personal lines.

TDI has a different statistical agent for commercial auto insurance. Information on the number of commercial auto claims and this data may be slower to get. AFACT members writing commercial automobile insurance have seen a smaller drop in the number of overall claims for the different coverages within a commercial automobile policy.

AFACT urges the Committee to recognize differences between commercial and personal lines and the different coverages in both of these types of insurance.

For questions or additional information, please contact:

Jay Thompson
Counsel for AFACT
701 Brazos, Suite 1500
Austin, Texas 78701
Phone: 512-415-8191
Email: jthompson@thompsoncoe.com